

Local Government Association briefing

Westminster Hall debate on skills devolution in England

House of Commons

23 January 2018



Key messages

- Our employment and skills system is highly fragmented and centralised. £10.5 billion of employment and skills funding is commissioned by eight Whitehall departments or agencies across 20 different national schemes.ⁱ
- Research commissioned by the LGA reveals that the skills gap is worsening. By 2024 there will be more than four million too few high-skilled people to take up available jobs, two million too many with intermediate skills and more than six million too many low-skilled.
- The result is that our centralised skills system fails to have a meaningful impact on addressing the social and economic challenges which are present across all areas. Failure to address the resulting skills gap puts at risk up to four per cent of future economic growth, or a loss of £90 billion economic output, and the average worker will be £1,176 a year worse off.ⁱⁱ
- *Work Local* is the LGA's positive proposal for change. Led by combined authorities and groups of councils, in partnership with local stakeholders, *Work Local* areas will plan, commission and have oversight of a joined-up service bringing together advice and guidance, employment, skills, apprenticeship and business support for individuals and employers.
- To help local areas close their skills gap, the Government must ensure the ambitions set out in the 2019 Local Industrial Strategies can be fulfilled with devolved powers and funding, and that *Work Local* is promoted as a framework for their development.
- The Apprenticeship Levy costs local government as a whole £207 million a year. The 2017 Autumn Budget contained an announcement that the Government will continue to work with employers on how the Levy can be spent so that it works effectively and supports productivity across the country; however, it is imperative that this results in actual changes at a local level.
- To ensure that apprenticeship provision matches the needs of employers and the skills of the population, the Government must use the Apprenticeship Levy review to enable local areas to pool Levy contributions, and loosen restrictions on use of the levy. Importantly, the apprenticeships system should be fully devolved to combined authorities.

Briefing

Background information

The current skills and employment system

All councils, working with local businesses and partners, want to build strong, resilient economies where residents contribute to, and benefit from, growth. Fundamental to achieving this is a steady supply of skills and jobs, fostering local business growth and effective support to help people get on in life. This is especially important as every area looks to contribute to the delivery of a successful industrial strategy in a post-Brexit Britain.

Research commissioned by the LGA reveals that the skills gap is worsening. By 2024 there will be more than four million too few high-skilled people to take up available jobs, and more than six million too many low-skilled. Failure to address these gaps puts at risk four per cent of future economic growth, while the average worker will be £1,176 a year worse off. Nine million people lack literacy and numeracy skills, and more than half of all unemployed people do not claim benefits or receive employment support from Jobcentre Plus (JCP). All of this is bad for the economy, employers and individuals.ⁱⁱⁱ

Both the employment and skills systems are highly centralised, with little or no scope for local areas to influence priorities or funding so they can target support. At the same time, accountabilities between national agencies are highly fragmented. A total of £10.5 billion of employment and skills funding commissioned nationally by Whitehall or its agencies, is scattered across 20 different national schemes. The country can ill-afford this fragmented approach to employment and skills services.^{iv}

As we move towards the United Kingdom's exit from the European Union (EU), it is more vital than ever that local areas have greater input and oversight of the skills system. Improving employment and training prospects for residents, whilst ensuring that some of the most important sectors of the economy benefit well-skilled employees, must be a priority for the Government.

Work Local

Work Local is the LGA's vision for an integrated and devolved employment and skills service. Led by combined authorities and groups of councils, in partnership with local stakeholders, Work Local areas will plan, commission and have oversight of a joined-up service bringing together advice and guidance, employment, skills, apprenticeship and business support around place for individuals and employers.

In doing so it will provide a more coherent offer for the unemployed and low skilled of all ages, while supporting local economic growth by forging better links between training providers and employers. We recommend practical steps that should be taken now to make our vision a reality. Across a local area, Work Local could each year result in 8,500 more people in work, additional fiscal benefits of £280 million and a benefit to the economy of £420 million.^v

This Work Local service will:

- Bring together and localise support that is currently fragmented across business support, local growth, careers services, JCP services, adult skills, apprenticeships support and employment programmes.
- Make full use of physical assets across the range of services that host or deliver employment and skills services; including colleges, councils,

universities, JCP offices, and many more. Services will work together to provide a co-ordinated, locally tailored, physical and digital presence.

- Have a clear offer for individuals and for employers, which for individuals means a single system that can help with improving skills, preparing for work, finding work, changing careers and progressing in work. For employers, this means going beyond just placing vacancies and helping with recruitment.
- Connect to wider services, partners and support so that Work Local not only integrates employment and skills, but must also act as a gateway to more specialist services and support that individuals and employers may need. This includes health services, budgeting support, housing and welfare.

To help local areas close their skills gap, the Government must ensure the ambitions set out in the 2019 Local Industrial Strategies can be fulfilled with devolved powers and funding, and that Work Local is promoted as a framework for their development.

Local authorities would also like to be satisfied that by 2019, the £1.5 billion Adult Education Budget is successfully devolved to combined authorities and progressively localised to all other areas, and that it is the first of a succession of skills funding streams to be localised.

We would like to see the Government work with councils and combined authorities to ensure the UK Shared Prosperity Fund is locally rather than centrally designed and managed and in place by 2019. Councils and combined authorities must be given a key role to design and coordinate the local skills offer for people and places (National Retraining Scheme, Skills Advisory Panels, T-Level introduction).

The Apprenticeship Levy

It is estimated that the Apprenticeship Levy costs local government as a whole £207 million a year. National policy requires that the levy is spent against 'standards' within two years, but the key standards are not currently in place. It does not allow Levy contributions to be planned for and fully pooled locally, and has set out that any Levy funds unspent within 24 months must be returned to the Treasury rather than being retained and recommissioned locally.

The 2017 Autumn Budget contained an announcement that Government will continue to work with employers on how the Levy can be spent so that it works effectively and supports productivity across the country; however, it is imperative that this results in actual changes at a local level.

To ensure that apprenticeship provision matches the needs of employers and the skills of the population, the Government must use the Apprenticeship Levy review to enable local areas to pool Levy contributions, loosen Levy restrictions including its use. Central government must also ensure all Levy underspend goes back to local areas where it is raised rather than directed from Whitehall. Most importantly to ensure its success, the apprenticeships system should be fully devolved to combined authorities. In addition, all non-Levy funding should be devolved to local areas.

Under the LGA's Work Local proposals, non-Levy apprenticeships would be fully devolved along the same principles as for other skills provision, as would funding and policy for apprenticeship grants. Apprenticeship support funding should be co-designed with local areas, so that areas can vary financial incentives and eligibility to support local needs. The Register of Apprenticeship providers would in future be co-commissioned by both central government and Work Local, ensuring that it can respond both to local and national needs.

For the Apprenticeship Levy itself, which is only paid by employers with payroll costs of greater than £3 million a year, eligibility and funding rules would continue to be set nationally. This reflects the fact that the majority of the Levy is paid by large employers that operate across areas.

A key part of changes to the Apprenticeship Levy must be a relaxation of rules on how Apprenticeship Levy funds can be used by public sector employers. This would include enabling these to be pooled between local public sector employers, and for local areas to be able to use these funds to establish Apprenticeship Training Agencies.

ⁱ LGA, 2017. *Work Local: our vision for an integrated and devolved employment and skills service* (www.local.gov.uk/sites/default/files/documents/WORK%20LOCAL%20FINAL%20REPORT%2005072017.pdf)

ⁱⁱ www.local.gov.uk/about/news/local-solution-12-millioncaught-skills-gap-2024

ⁱⁱⁱ LGA, 2017. *Work Local: our vision for an integrated and devolved employment and skills service*

^{iv} LGA, 2017. *Work Local: our vision for an integrated and devolved employment and skills service*

^v LGA, 2017. *Work Local: our vision for an integrated and devolved employment and skills service*